

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Capital Pacific Bancorp

Point of Contact:	Felice Belfiore	RSSD: (For Bank Holding Companies)	3589702
UST Sequence Number:	64	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	4,000,000	FDIC Certificate Number: (For Depository Institutions)	57562
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 23, 2008	City:	Portland
Date Repaid ¹ :	N/A	State:	Oregon

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

In 2011, the CPP capital continued to support ongoing lending activities and the hire of two additional commercial lenders. Without the CPP capital, the Company would mostly likely have curtailed its lending programs and left lending resources unchanged from the prior year.

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☒ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

Commercial mortgage lending was the only area of significant growth, up approximately 17% in 2011.

☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

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<input type="checkbox"/>	Increase reserves for non-performing assets.
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<input type="checkbox"/>	Reduce borrowings.
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<input type="checkbox"/>	Increase charge-offs.
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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

In 2011, the CPP funds were an non-leveraged source of capital that allowed the bank to exceed benchmark levels of capital adequacy.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

CPP funds have been a valuable source of bridge capital used to strengthen the bank's balance sheet and support growth during one of the more severe recessions in the country's history. In 2011, the Company increased its workforce by 12%, grew total loans by 7% and grew total client deposits by 14%. The CPP funds also provided the Company with the financial flexibility and time to expeditiously work through, advance and strengthen the Company's position on troubled loans experiencing varying degrees of difficulty. By the end of the year, non performing assets as a percentage of total assets had improved to less than 2%. Also in 2011, the Company's financial performance improved such that it was able to raise \$3.2 million in new capital at roughly market values. Based upon its current asset size, the Company could conceivable retire the CPP funds and still retain adequate level's of capital.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.